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CENTRAL INTELLIGENCE AGENCY

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OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: MAR 29 1951

NOTE:

1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
2. Comments represent the preliminary views of the Office of Current Intelligence.
3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities.
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

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DEPUTY FOREIGN MINISTERS' CONFERENCE

"A" USSR. Soviet Concessions Indicate Desire for Foreign Ministers' Meeting. At the Paris deputies meeting 28 March the Soviet delegate apparently ceased insisting that the foreign ministers concentrate on "fulfillment by the four powers of the Potsdam Agreement on the demilitarization of Germany." The Soviet delegate also agreed to discussion of the level of armaments of the Big Four as well as reduction of their armed forces. (U NY Times, 29 Mar 51). COMMENT: Gromyko's concession on treatment of the German demilitarization item, a position maintained since November when the USSR first called for a CEM meeting, removes a major obstacle to preparation of a foreign ministers meeting. At the conference the Soviet Union has been stalling, apparently calculating that the French and British will prevail upon the US to meet the Soviet position at least in part. The recent concessions, however, indicate that the USSR intends to compromise, if necessary, for the sake of achieving a foreign ministers meeting.

SECTION I (SOVIET)

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"B" USSR. Soviet Interest in Norwegian Molybdenum. [REDACTED]

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[REDACTED] map of Norway, drawn to scale of 1:100,000, on which had been drawn a number of small rectangles in red pencil covering the areas of Knaben, Risna, Bragol, Eftestol and Omland. The areas all contain molybdenum deposits, and the first, Knaben, contains a molybdenum mine now in operation. In the remaining four areas the mining of this ore has not yet begun, except for certain preparations made by the Germans during the war. [REDACTED]

"C" EASTERN EUROPE. HUNGARY. USIS Employee Arrested. A Hungarian employee of the US Information Service was taken into custody by the Security Police (AVH) on 24 March. It is not known whether his arrest is due to USIS employment or to some extra-curricular activity. (S B'pst 452, 27 Mar 51). COMMENT: This is the second USIS employee to be arrested by the Hungarian authorities within the past two months. There have been other signs that the relatively unhampered operations of USIS in Hungary would soon come to an end.

"C" YUGOSLAVIA. Pro-Cominform Yugoslavs Tried for Espionage. A group of Yugoslavs accused of espionage and political agitation on behalf of the Cominform are now on trial in Zagreb. After escaping to Hungary in 1948-49 the Yugoslavs are alleged to have been trained and returned to Yugoslavia in order to distribute Cominform propaganda, engage in espionage, recruit agents, and organize "a struggle against the existing order in Yugoslavia." (R FBIS, 27 Mar 51).

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"B" TRIESTE. New Commander of Yugoslav Zone. A new commander of the Yugoslav Zone in Trieste has been appointed by the Yugoslav Army, according to TANYUG. Col. Mirko Stamatovic will replace Col. Mirco Lenac. (R FBIS, 26 Mar 51). The replacement of Lenac, said to be ailing and held in low esteem by the Yugoslav Government, directly follows Yugoslav Foreign Minister Kardelj's recently reported intention to strengthen the Military Government of Zone B and appoint a more aggressive Yugoslav representative in Zone A. (See O/CI Daily Digest, 20 Mar 51).

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SECTION 2 (EASTERN)

- "B" IRAN. Unrest Continues. The recent strikes in the oil fields of southern Iran ended today, according to press reports. In Isfahan, meanwhile, police clashed with strikers protesting dismissal from their jobs. Police were said to have arrested a member of the fanatic religious group, Fedayan-e-Islam, who was planning to shoot Prime Minister Ala. Ala was reportedly only one of those listed for assassination by members of the same group who were arrested recently while plotting to kill the military governor of Tehran. According to the US Embassy, the police are also holding the editors of two extremist religious papers who recently published articles attacking the royal family. The Shah is said to have decided to send Princess Ashraf and Princess Fatima out of Iran on an indefinite vacation. Both of the princesses have been attacked in the press by religious extremists for marrying foreigners. (S Tehran 2185, 28 Mar 51; S Tehran 2190, 28 Mar 51; U NYTimes, 28 Mar 51). COMMENT: While the Army and Security Forces appear to be in control of the immediate situation in Iran, these reports point up the extent of current tension.
- "B" INDIA. Food Ration Cut Continues in Force. A press report from New Delhi announces that the Government of India will not be able to fulfill its promise to restore the 25% ration cut ordered in January. The Food Minister has stated that India would attempt to contract for the use of more US ships to transport food grains already purchased in the US in order to speed up deliveries. (S New Delhi 2570, 26 Mar 51; U NY Herald Tribune, 28 Mar 51). COMMENT: This information further highlights the seriousness of India's food problem.
- "B" PHILIPPINES. Views on Possible Change in Huk Policy. Commenting on the 26 March Huk raid on an American-managed chrome mining property (OCI Daily Digest, 28 Mar 51), the senior US Military Attaché, Manila, states that US citizens in isolated Philippine areas are in acute danger and that the Philippine Armed Forces are incapable of providing security. SMA also notes that the mine incident, in addition to three previous affairs, strongly suggests that the Huks have changed their policy of non-violence toward Americans. US Embassy Manila agrees with this possibility although pointing out that improved Philippine Government anti-Huk operations may have caused the Huks to seek revenge against persons passing intelligence to the Philippine Armed Forces - as had mine personnel in this case. The Embassy also reports that influential elements in the US business community have taken alarm and that there is a current belief that the Huks have embarked on a program to scare US capital from the Philippines and embarrass the Philippine Government in its relations with the US. (C ALUSNA Manila 280808Z; C Manila 2933, 28 Mar 51). COMMENT: While the Huks might well deliberately attack individual American "informers", they would not be able to gain significantly increased support by means of general attacks on Americans since pro-US sentiment remains strongly based among Filipinos.

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"A" KOREA. Disposition of Chinese Communist Forces. Recent reports from the Far East Command reveal certain major redeployment of Chinese Communist forces in Korea. Three armies - the 42nd and 50th of the 4th Field Army and the 66th from the North China Military Area - are now believed moving northward from the battle line. These withdrawn units have been replaced in the front line by Chinese Communist Third Field Army units formerly in the Wonsan area - the 20th, 26th and 27th. The possibility of further major Chinese Communist units having been deployed from Manchuria into Korea is raised by reinterrogation on 21 March of two Chinese PW's from the 20th and 27th Armies. Both PW's stated that elements of the 19th Army Group, First Field Army, had moved into Korea and were stationed in the Yangdok area, west of Wonsan. FECOM, although not accepting these new units, comments that the 19th Army Group, First Field Army, has been carried in the Yenchi-Tumen area of Manchuria for some time and that PW statements add increasing evidence that the 19th Army Group is in Korea. (S DA TT 4533, 25 Mar; 4534, 26 Mar; 4542, 28 Mar 51). COMMENT: Re-placement of the badly-hurt Chinese Communist 50th and 42nd Armies is a logical move on the part of the Communist high command in Korea. Although the Chinese Communist 66th Army spearheaded the abortive counter-offensive in the central sector, however, there are no reports to indicate that it suffered such severe casualties as to force a withdrawal from the line. The Chinese Communist 19th Army Group, possibly in Korea, has been frequently mentioned as having been trained, equipped and reorganized along Soviet lines.

"C" JAPAN. Publicity Campaign for Japanese Defense Army. "Central News" reports that a "police-authorized" publicity campaign began in downtown Tokyo on 29 March to recruit a million-man Japanese defense army and 5 million reservists. The recruiting campaign is said to be organized by former army officers and organizations with patriotic titles. The sponsor of the campaign is believed to be a candidate for April elections. (R FBIS, 29 Mar 51). COMMENT: This report appears to be a sensational treatment of some political candidate's attempts to capitalize on the Japanese public's increasing pro-defense sentiment and anti-Communist feeling. In view of the Japanese Government's sensitivity to the fears of other Pacific nations over rumors of Japan's rearmament, the candidate may well find his police "authorization" withdrawn.

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SECTION 3 (WESTERN)

"B" GERMANY, Adenauer Plans Economic Reform. Chancellor Adenauer, acutely conscious of the desirability of organizing a centralized, integrated economic leadership in the Government, is endeavoring to create an Economic Committee within his Cabinet, with himself as chairman. He has also been considering the appointment of Dr. Friedrich Ernst, head of the Berliner Central Bank, as economic aide. If Ernst is appointed, his authority might be limited to the execution of the policies determined by the Economic Committee, but some US representatives consider that Ernst is strong enough to steer the Committee. (C Bonn unnumbered, 22 Mar 51; S Berlin 1201, 28 Mar 51). COMMENT: Adenauer realizes that to hold the recently acquired good-will of labor, he must take action in the face of rising prices. Economics Minister Erhard has been widely criticized for his unwillingness to impose controls, but Adenauer does not wish to remove him for fear of "rocking the boat". His attempt to by-pass Erhard by bringing Ernst into the Government in a position of authority was defeated, at least temporarily, by the Cabinet on 20 March.

"C" East German Policemen Fire on US Army Sightseeing Buses. On 28 March east German policemen fired on US Army sightseeing buses which were circling Potsdamerplatz on their way out of the Soviet sector of Berlin. Apparently one policeman attempted to stop the convoy, and, when his orders were either not heard or ignored, opened fire. Approximately eight other policemen joined in the shooting, and 10 to 15 shots in all were fired. Although several bullets struck the side and windshield of one of the buses, no one was hit. The US and British Commandants in Berlin have announced that protests will be made to the Soviet authorities. There have been no recent previous attempts to challenge Allied vehicles at the sector borders in Berlin. (U NY Times, 29 Mar 51). COMMENT: From the reports available, it appears likely the incident resulted from over-zealous action on the part of individual police, rather than from the direct orders of the GDR or the Soviet authorities in Berlin.

"B" SAAR-GERMANY, Saar Demands on Schuman Plan Disturb Germans. US High Commissioner McCloy warns that demands by Saar officials for a role in the signature and ratification of the Schuman Plan will "stir up much critical discussion" in Germany, regardless of French "professions" that the Quai d'Orsay desires to hush up the Saar issue at this time. The Bonn press has carried prominently a declaration by the Saar Justice Minister that the Saar can approve the Schuman Plan only if given representation on the prospective High Authority. (C Bonn 667, 28 Mar 51). COMMENT: French influence in the Saar has had an irritating effect on

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French-German relations for over a year. The US High Commissioner's implication that the French are not seriously trying to quiet Saar demands concerning the Schuman Plan is probably justified in view of French efforts in general to detach the Saar completely from Germany. Inasmuch as it is intended that the High Authority be supranational and have fewer members than there are countries participating in the pool, the Saar cannot expect to be "represented".

"B" ITALY-FRANCE. Important Mediterranean Defense Roles Sought. The conservative Italian newspaper, Il Tempo, reports that Italy and France will ask to be included in the current Anglo-US discussions in Washington on Mediterranean defense. The Italian objectives are (1) to participate in inter-allied bodies deciding strategic plans for the Mediterranean, (2) to encourage the inclusion of Greece, Turkey, and other Mediterranean nations in the Atlantic Pact, and (3) to clarify the relationship between the Italian command of the southern European front and the air and naval commands in the Mediterranean. The French similarly are interested in getting at least one of the two Mediterranean commands in order to counterbalance British influence in Eisenhower's command and to participate on a much broader scale in formulating allied strategy. (R FBIS Rome, 27 Mar 51). COMMENT: The Italians regard the Mediterranean area as their main concern in any defense plans and wish to occupy prominent and influential positions. The French have already vigorously protested their exclusion from the Anglo-US technical defense talks recently held at Malta. France is unlikely, however, to go along with Italy in seeking representation by other Mediterranean countries in strategic planning under the North Atlantic Treaty.

"A" ITALY. Two Important Factors Prevent Disintegration of Communist Party. US Minister Counselor Thompson believes that, although the Communist defectionist movement led by Magnani and Gucchi is an important symptom of discontent within the Italian Communist Party (PCI), it has little chance of causing the party's disintegration. About 2,000 persons are estimated openly to have defected to the Magnani movement to date, but the "thousands of secret sympathizers" are unlikely to join the new movement in large numbers until they cease to fear reprisals from Italian Communist leadership or, eventually, Soviet sources. Although the majority of the working class may be reluctant to follow Communist directives leading to costly strikes and bloodshed, they are likely to continue to vote Communist until the US and Western Europe develop military strength sufficient to give the workers a sense of security in the face of the Soviet threat. (S Rome 4325, 28 Mar 51). COMMENT: The Embassy's estimate that a large body of Italian workers will remain Communist while they fear reprisals is correct. Should this fear be removed, however, they would still be reluctant to leave the party unless they could find another political

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movement which they believed would effectively represent the workers' interests. The Magnani-Cucchi following, during its pro-tem alliance with the Socialist Unity Party, does offer the possibility that such a movement can develop.

"B" SWITZERLAND, Swiss Consider Applying Export Controls to all Countries. An official of the Swiss Legation in London has hinted that Switzerland might decide to embargo strategic products to all countries. The Swiss constantly reiterate that any trade embargo which operates only against the Soviet orbit is unneutral and, therefore, unacceptable. The US Embassy London believes that such Swiss action would have a negligible effect upon Western rearmament. (S London 5094, 27 Mar 51).
COMMENT: The Swiss are presently reviewing their policy toward trade controls, and such a statement may be calculated as bargaining for position. US officials in Switzerland believe the curtailment of Swiss exports of precision tools to the West might cause temporary bottlenecks in the Western rearmament production and reduce the high level of Swiss prosperity. However, the Swiss could license their patents for critical items with Western manufacturers and thus insure no loss of revenue, while at the same time legally maintaining their political and commercial neutrality.

"B" UNITED KINGDOM, British to Move Slowly in Iranian Oil Negotiations. Although urging the Anglo-Iranian Oil Company to draw up new proposals in an attempt to preserve the company's position in Iran, the UK Foreign Office prefers that actual negotiations on the oil question be conducted between the two governments. In the estimate of the Foreign Office, negotiations are probably useless until a strong government, preferably headed by Seyid Zia, comes into power. The Foreign Office has reiterated its belief that high level US-JK agreement should be reached on any oil proposals, which in any case cannot be presented to the Shah until his return from Jordan in mid-April. (S Tehran 2187, 27 Mar 51). COMMENT: The political situation in Iran is such that there is little possibility of a strong government. In addition it is unlikely that the Shah would be willing to appoint Seyid Zia.

"C" UNION OF SOUTH AFRICA, Two New Plants to Increase Union's Industrial Self-Sufficiency. Construction plans have been announced for a plant to produce gasoline from locally mined coal about 40 miles south of Johannesburg. (U NY Times, 28 Mar 51). A few weeks previously the German steel company of Krupp was commissioned to build a plant for the production of pig-iron at a point some distance west of Johannesburg. (U Natal Mercury, 20 Feb 51). COMMENT: The strategic significance of these developments in a part of the world that would be important to the US and its allies in a global war derives from the facts that (a) South

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Africa now has to depend entirely upon imports for its gasoline supply, and (b) the requirements of the Union and adjacent colonial territories for iron and steel are always much in excess of South African domestic production.

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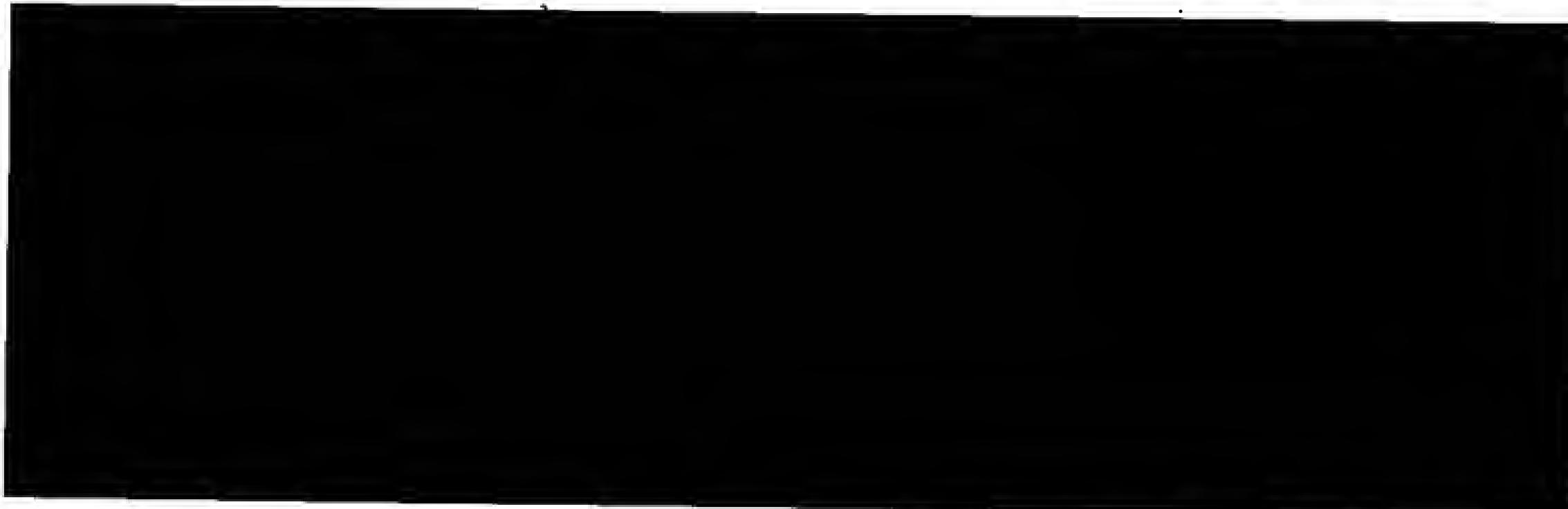
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OFFICE OF CURRENT INTELLIGENCE
DAILY DIGEST OF SIGNIFICANT S/S CABLES

29 March 1951

SECTION 2 (EASTERN)

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"A" Communist View of Tibetan Settlement. GOI Ambassador Panikkar has reportedly been informed by PRC Foreign Minister CHOU En-lai that the Tibetan question has been settled along the following lines: the PRC recognizes Tibetan autonomy under Chinese suzerainty; China to be responsible for the defense of Tibet's borders; the Dalai Lama to retain his present temporal and spiritual authority, but the Panchan Lama to be allowed to return to Tibet. Tibet is to have no relations with foreign powers other than the GOI, whose trade mission is to be allowed to remain stationed in Tibet. The Tibetan mission charged with discussing this settlement is now en route to Peiping. (S, S/S London 5089, 27 Mar 51). COMMENT: It is significant that CHOU En-lai considers the Tibetan question to be "settled" though the Tibetan negotiators have not yet arrived in Peiping. Should the Tibetan mission attempt to stall, Chinese Communist forces will certainly resume their advance on Tibet, thereby maintaining simultaneous diplomatic and military pressure on the isolated Tibetan regime. It is anticipated that, by these means, the PRC will achieve an actual settlement similar to the one outlined.

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